CDFIs Making History Interview

DeWitt “Dick” Jones
Executive Vice-President, Boston Community Capital (BCC) and President, BCC’s Solar Energy Advantage and Boston Community Managed Assets

Interviewed by Mark Pinsky, President & CEO of OFN, on July 30, 2014.

Mark: I want to just turn it to you and say, "What are the one, or two, or three even, sort of major events, accomplishments, ideas, stories, whatever that's important for people to know about?"

Dick: Well, I was trying to think about this and there's a whole series of ones, and I would go back and forth on stuff. But, I think that one discussion that I think for me made a big difference—and I think it made a difference for the industry, and I'm sure back then it was NACDLF, and I think it's still sort of resonates now—was a conversation that we had, I believe at an OFN meeting in…I want to say that it was in Wiscasset, but I don't know that we actually had an OFN meeting out there.

It was a discussion with Kirsten Moy, and probably Frank DeGiovanni, but there was a panel there. It was in the context of are we a movement or an industry. There was push back—Frank certainly pushed back and stuff—but somebody got up, and I don't remember who it was, and said to Kirsten look, "The important thing is when we can move from your social pot into the actual pot in terms of getting money."

She said something to the effect that the most junior person managing money in the conventional part of the insurance company, at that point, was managing something like $15 million a minute. The mission side, the return, the risk, really didn't make any difference until we could start being able to offer volume and scale. And that we weren't going to be relevant to them without having a sense that that was the case. The relationship between us as an individual CDFI or as an industry was never going to be a part of an industry if we were so small.

That story resonated in different ways over time. I think Amy Domini at one point said that CDFIs were the only people that they ever dealt with that use paper. Everything else is done electronically and stuff. Then there's a transaction, paperwork cost to that, that kind of stuff.
I think that, to me, that was sort of the time that I remember thinking that if we are going to see ourselves as alternative, nice, philanthropic, charitable, sort of do-gooders, that was never a question we had to wrestle with.

But if what we really want to do is think about how do we engage, how do we ensure that we integrate low-income communities and the communities that we serve into the conventional economy? We needed to be doing something where we understood the relationship between what we did and what the conventional markets did. It was not just, "Oh, they're redlining," or it's a mission question, it was really questions of scale.

I think, of course, that also has a reflection of impact. You know, we could get stories in the paper, we could all feel good and stuff, but we weren't ending poverty. I don't know that that's necessarily the goal. But, I do think that the connection, thinking about how the CDFI industry should be, needs to be, and is, and the services we provide really integrally connecting the communities that we serve to the broader economy.

Mark: Mm-hmm [AFFIRMATIVE].

Dick: You know, and that may mean the broader financial services need to be more value-based like we are, or may have different types of incentives as opposed to what we do. But, if you really end up with two different types of, sort of, financial services, it's hard to think that the services that we provide aren't going to be the most expensive, least focused on long-term innovation, and so on, and that you end up with a sort of second class two tier system.

There were probably—if I thought about it hard—half a dozen other discussions at board meetings, or conferences, or just one-on-one discussions and stuff. But that was the one—when she was sort of saying, "Look, the guy that's barely graduated from high school is managing money by pushing a button." And that the transaction cost of getting him to be—I'm sure was probably a blip on the screen that said, "You could buy this pool of securities at this spread over market," and push the button and say yes. The cost of trying to get a $100,000 loan out of them.... It was just miles apart.

I think that... you know, the amazing amount of money that we actually now manage as an industry relative to where.... I mean, that's sort of the exciting thing about this whole stuff. I don't know that you
were at a board meeting years ago when there was a Texas loan fund in Houston, I can't remember what it was called.

They had decided there were a small business markets that they were going to serve and that they had found that the credit need was... I don't know, there were something like a million small businesses in Texas that had this credit problem that they're going to serve, and that they were going to cap their fund at $500,000.

Mark: Mm-hmm. [AFFIRMATIVE]

Dick: I'm sure as you remember at those initial board meetings, 90% of the conversation was about Membership. There was this crazy conversation where one person of the board says, "What should they be doing? They don't have a clue. If that's the nature of the problem and they're going to solve $500,000 to do it. They shouldn't be in business. We should take their money away and shut them down."

Mark: Yeah, right.

Dick: I don't remember who that might have been. Other people saying, "Oh, you can't. This is a home-grown thing." But, I think that they ended up failing because of course there was no connection between the nature of the problem and the nature of the solution.

I think that we have all increasingly tried to wrestle with balancing performance with growth. Certainly, the impacts that the [INAUDIBLE] initiative have had have been way bigger on the conversation nationally about principal reduction than they've been in terms of actual dollars, land, or families served, that the combination of practice and policy is going to lead to action as opposed to just thinking about raising money and doing work without understanding the policy implications and so on.

I think that has been a successful piece. I think that we have helped shaped a conventional sense about... the CDFI's are a completely different answer to whether CRA is losing money or not. We have practical experience in how to make loans with this.

I think that that's the intersection between the work we do and the broader policy stuff that we deal with.

The third question you guys posed is, what's the next 30 years? I think it's a continuation of that. I think that going forward, I think that the
next... probably not us, but our kids will be reflecting. We will be the... in a good sense, not a bad sense, the Countrywides and the AmeriQuests of the mortgage market.

We will be the SBA small business lenders and stuff, that we will start looking not at just trying to influence the broader market and have policies, but we will start thinking, "Do we, as the CDFI industry or individuals, have the capacity to actually become market-size players?" Then they’ll have all kinds of questions about opening up access to high quality services to low-income communities, but also some other questions about would the broader economy be better off if institutions that have emerged out of us are the conventional market players.

Mark: Right.

The number of people who got screwed, or screwed themselves in the mortgage meltdown who are not normally low-income and don’t live in low-income communities, but got taken advantage of or got [INAUDIBLE] mortgages or stuff like that, it dwarfs the sort of destruction that happened in poor communities and they were different types of things happening.

I think that will be the future... the ABA conference in 2040, they will be major market players who’ve emerged out of the CDFI world. They will have values, and expertise, and innovation, and stuff like that. It may not be the ABA, it maybe that it’s conventional financial sources, it’s Lending Tree, and web based and stuff like that.

I think it will be hard to do that, but I think it will be around conventional types of financing, it will about integrating more the institutions that serve low-income people well with institutions that serve other people well. It will be about being at the forefront of technology and integrating services and so on. I think that...

I guess the last thing I’d say is, I think that our... We’ve always thought that failure for us, at some level is not building the capacity to take advantage of things that we know and have learned, there's an obligation to be more ambitious and to carry out more stuff than what is currently... [CROSSTALK]

Mark: This is great, great stuff. It's just great to hear you talk about these stuff. One of the things that came up in variety of ways—and I'd love to get your thoughts on it, there aren't that many people who are still
in the industry who are there at the beginning—but describe a little bit that... What was it about the people who came together 30 years ago? There was something really special, whatever it was. Clearly it was because look at the results, right? I'd love to hear your thoughts on that.

Dick:  

This is going to sound grander that I think it means. There are certain times when... my kids use the word, zeitgeist. They don't really understand what that means, I think, and neither do I. But, let's assume the certain zeitgeist of progress. People care about community or service, or progress and stuff would do things, jump into stuff. It could have been church at some point, it could have been civil rights at some point, it could have been the military, it could have been the law, it could have been in journalism.

I think that to a certain extent, the time when we got started, people who... I always thought I would want to do some form of community service. When I was a kid, it was going to be politics. At some level along the line, I think that there was this intersection of money and community. There was redlining stuff and anti-redlining stuff was coming up, there was link deposits, and people like Sam Brown, the Treasurer of Colorado, sort of, pushing this stuff.

So, I think of my own self, when I was in college and coming out of college. The issues of cities and how to do something about them, and the sense of money, or capital were sort of an interesting thing. I mean, civil rights was sort of over, and I wasn’t going to be anti-war at that point because that was over, and planning schools are coming out.

I think that there was sort of a time that got people excited about the whole sense of community development. I think that the second piece of the context of it was around performance. If you look back at sort of housing policy stuff, there were a whole series of initial efforts around doing things that solved the housing problems, but then you have these failed housing... you know the buildings didn’t look very good went to foreclosure and so on.

I think that there was also sort of a commitment actually, not just in good will, but actually doing things well. Some of that came out of ... some of the money piece came out of divestiture issues in South Africa and so on. At least for me, what was really exciting in sort of extremely broad general sense about wanting to do some sort of
community service, and “public good” work, and the idea of being able to marry community city, money, and capital, and performance.

I think when you think of Jeremy [Nowak], or Chuck [Matthei], or Julie [Eades], or Dan Leibsohn, or Martin Eakes, and others who were around there. Their paths were all quite different, but I think that was... we all had learned at least enough to know that we could actually do something that was not just picketing or going to the peace corp and then you go off and then you do your year.

I think that there was an ambition. Chuck's ambition and Jeremy's ambitions are miles apart on some ways. They weren't unambitious about things. I remember one of the very first meetings that I went to even before NACDLF was organized was a meeting that was in the Catholic Worker House on the Upper East Side, and the electricity didn't really work, but it was okay because it was daylight, so we could meet.

There were guys sleeping on the floor. But people talked about a CDFI industry that would have a regulatory function, that would be performance based, there would be an insurance function to be able to leverage a lot of money, there would be secondary markets, and stuff. The crazy thing was most of us were in jeans and these homeless guys were sleeping there, and we're half a mile from Wall Street.

Probably most of us weren't even incorporated and to the extent that people did have money, nobody had even set aside reserves yet. You could fight about the Fed and so on, but you weren't oblivious to the fact that there was a financial ecology and system that made sense, You weren't just going to be an odd target fund out there pretending that you don't have, you know, any connection to the market.

I mean so I think that, it was the people, but it was sort of the combination of the people, good people, ambitious people sort of thoughtful, creative, still-young-and-not-really-knowing-enough-to-know-what-you-didn't-know people. It was at a time when you thought... You know, there was a reason we were doing this stuff as opposed to any other form that you could have sort of jumped into.

All our colleagues, or classmates, or grad students were off doing real estate and investment banking and consulting. The tasks we were doing weren't any different than that, it's just in a different context.

Mark: That's a really good point.
I'm using my time with you, but this is absolutely wonderful. Anything you wanted to share with us?

Dick: No, I'm sure that if I thought about it differently... I took some notes and sort of tried to think back on some of the stuff...

I think there was certainly a time when Clinton said, "He wants a 100 South Shore Banks." The industry was strong enough to say, "No, we already exist. What we need to do is strengthen the network." You were around for that. That was a different time. I think that my feeling was that was more of an important, but, sort of, tactical response to one of these mission, you know, meaning of life ones.

Mark: It was also sort of an expression of all those things we were just talking about which is some really bright, talented people with clear ambitions for mission, right? Sort of a willingness to do what it took to...

Dick: Certainly a confidence to be willing to say, "You may have a good idea, but that's not the right idea to the Clinton administration."